



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
ANDERSON COUNTY SHERIFF**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ANDERSON COUNTY SHERIFF

Calendar Year 2000

The Auditor of Public Accounts has completed the Anderson County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Revenues increased by \$33,792 from the prior year and disbursements increased by \$77,881. This resulted in \$25,330 being turned over to the Fiscal Court as excess fees, \$46,932 less than the prior year.

Report Comments:

- Lack Of Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were collateralized by bank securities.

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To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flannery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Anthony D. Stratton, Anderson County Judge/Executive
Honorable Jim Evans, Anderson County Sheriff
Members of the Anderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Anderson County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
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In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2001, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following internal control weakness:

- Lack Of Adequate Segregation Of Duties

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 12, 2001

ANDERSON COUNTY
JIM EVANS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

Federal Grants		\$	9,996
State Grants			19,543
State Fees For Services:			
Finance and Administration Cabinet	\$	8,643	
Cabinet For Human Resources		<u>181</u>	8,824
Circuit Court Clerk:			
Sheriff Security Service	\$	23,712	
Fines and Fees Collected		<u>3,040</u>	26,752
Fiscal Court			2,304
County Clerk - Delinquent Taxes			1,555
Commission On Taxes Collected			230,979
Fees Collected For Services:			
Auto Inspections	\$	5,215	
Carrying Concealed Deadly Weapons Permits		9,525	
Carrying Concealed Deadly Weapons Photographs		670	
Serving Papers		<u>17,040</u>	32,450
Other:			
Tax Advertising Fees	\$	285	
Tax Fees		27,993	
Interest on Tax Account		2,527	
Courthouse Fees		3,040	
Miscellaneous		<u>932</u>	34,777
Interest Earned			434
Borrowed Money:			
State Advancement			<u>112,424</u>
Gross Receipts		\$	480,038

ANDERSON COUNTY
 JIM EVANS, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	188,449	
Deputies' Overtime Salaries		8,586	
Other Salaries		20,376	\$ 217,411

Employee Benefits-

Employer's Share KLEFPF Retirement			2,992
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Contracted Services-

Tax Advertising	\$	285	
Vehicle Maintenance and Repairs		3,315	
Advertising		211	
Cellular Phones		3,020	6,831

Materials and Supplies-

Office Materials and Supplies	\$	3,348	
Grant Commodities		1,168	
Uniforms		2,255	6,771

Auto Expense-

Gasoline	\$	8,490	
Equipment		3,845	12,335

Other Charges-

Conventions and Travel	\$	317	
Dues		647	
Postage		189	
Firearms Training		369	
Bond		3,088	
Miscellaneous		2,172	
Courthouse Fees		3,040	
In-Service		198	
Carrying Concealed Deadly Weapon Permits		6,740	16,760

ANDERSON COUNTY
 JIM EVANS, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Capital Outlay-		
Vehicles	\$	22,014
Debt Service:		
State Advancement		<u>112,424</u>
Total Disbursements	\$	<u>397,538</u>
Net Receipts	\$	82,500
Less: Statutory Maximum		56,482
Less: Training Fringe Benefit (HB 810)		<u>688</u>
Excess Fees Due County for Calendar Year 2000	\$	25,330
Payments to County Treasurer - February 19, 2001		<u>25,330</u>
Balance Due at Completion of Audit	\$	<u><u>0</u></u>

The accompanying notes are an integral part of the financial statement.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the Sheriff's deposits were fully collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

Note 4. Drug Awareness Resistance Education Account

The Office of the County Sheriff administered a Drug Awareness Resistance Education (D.A.R.E.) program during calendar year 2000. On January 1, 2000, the account balance totaled \$669. During the year, \$12,686 was received for the account and \$10,279 was expended. As of December 31, 2000, the account balance was \$3,076.

The Office of the County Sheriff is in compliance with the guidelines and regulations associated with the D.A.R.E. program.

Note 5. Grant Agreement

The Anderson County Sheriff's Office participated in a federal grant project entitled "Operation Safe Street" with the purpose of making drivers in Anderson County more aware of the consequences of not using seat belts. During calendar year 2000, \$9,996 was received and expended in order to accomplish grant objectives. As of December 31, 2000, the Office of the County Sheriff was in substantive compliance with the grant agreement.

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COMMENT AND RECOMMENDATION

ANDERSON COUNTY
JIM EVANS, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 2000

INTERNAL CONTROL:

Lack Of Adequate Segregation Of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected official's control such as functions prescribed by statutes and regulations, and by budgetary constraints due to a limited staff size, a proper segregation of duties may be impossible. However, a lack of segregation of duties is hereby noted as a reportable condition pursuant to professional standards established by the American Institute of Certified Public Accountants. We believe this reportable condition as described above is a material weakness.

County Sheriff's Response:

Due to limited personnel, we are trying to segregate as much as possible and will keep trying.

PRIOR YEAR:

None.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Anderson County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated September 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Anderson County Sheriff's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Anderson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- Lack Of Adequate Segregation Of Duties

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 12, 2001

